

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Carlton County Carlton, Minnesota

Management and Compliance Report

Year Ended December 31, 2024

**Carlton County
Carlton, Minnesota**

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Independent Auditor's Report

Board of County Commissioners
Carlton County
Carlton, Minnesota

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the Schedule of Expenditures of Federal Awards (SEFA) of Carlton County, Minnesota, for the year ended December 31, 2024, and the related notes.

In our opinion, the accompanying SEFA presents fairly, in all material respects, the expenditures of federal awards of Carlton County for the year ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the SEFA section of our report.

We are required to be independent of Carlton County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the SEFA

Management is responsible for the preparation and fair presentation of the SEFA in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the SEFA that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the SEFA

Our objectives are to obtain reasonable assurance about whether the SEFA as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the SEFA.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the SEFA, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the SEFA;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carlton County's internal control. Accordingly, no such opinion is expressed; and
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the SEFA.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

April 13, 2026



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of County Commissioners
Carlton County
Carlton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlton County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 13, 2026. We have issued an adverse opinion on the governmental activities' financial statements because Carlton County has not reported capital assets in the Statement of Net Position and has not reported the related depreciation in the Statement of Activities as required by accounting principles generally accepted in the United States of America. Also, capital expenditures have not been eliminated from the Statement of Activities.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carlton County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-003 and 2024-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001, 2024-002, 2024-004, and 2024-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carlton County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Carlton County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Carlton County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

April 13, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of County Commissioners
Carlton County
Carlton, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Carlton County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Carlton County's major federal programs for the year ended December 31, 2024. Carlton County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Carlton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Carlton County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Carlton County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Carlton County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Carlton County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Carlton County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

April 13, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

Carlton County Carlton, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified, except for the government-wide financial statements which is adverse because Carlton County has not reported and depreciated capital assets and eliminated capital outlay expenditures in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.**

Type of auditor’s report issued on whether the Schedule of Expenditures of Federal Awards audited was prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over the major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for the major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of the major federal programs:

| Assistance Listing Number | Name of Federal Program or Cluster |
|------------------------------|------------------------------------|
| 20.205 | Highway Planning and Construction |
| 93.563 | Child Support Services |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Carlton County qualified as a low-risk auditee? **No**

Carlton County Carlton, Minnesota

Section II – Financial Statement Findings

2024-001 Computer Risk Management

Prior Year Finding Number: 2023-001

Year of Finding Origination: 2006

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Risk management begins with a risk assessment of the County's computer system to identify those risks that could negatively influence computer operations. The County should implement internal controls to reduce the identified risks. The County should document implemented internal controls in a well-maintained policies and procedures manual, which should be communicated to the County's staff. The County should monitor staff adherence to these policies. Because computer systems are ever changing, the County should include periodic reassessment of risk in its plan to ensure existing internal controls are effective.

Condition: The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

Context: A well-developed formal plan of risk identification can assist management and governance in identifying potential risks and develop plans to mitigate or eliminate those risks. The County has drafted an Information Security Risk Management policy and procedure that is expected to be finalized and adopted in 2026.

Effect: County management and governance could be unprepared to respond to unanticipated risks in a timely and effective manner.

Cause: The County has not completed implementation of a formal plan to identify potential risks that could negatively affect internal controls operating over County computer operations.

Recommendation: We recommend the County finalize and implement its plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems.

View of Responsible Official: Concur

2024-002 Segregation of Duties

Prior Year Finding Number: 2023-002

Year of Finding Origination: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a significant internal control in preventing and detecting errors or irregularities. To protect the County's assets, proper segregation of the record-keeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Several of Carlton County's departments that collect fees lack proper segregation of the accounting functions necessary to ensure adequate internal accounting control. Generally, one staff person is responsible for billing; collecting, depositing, and recording receipts; and reconciling the bank accounts.

Carlton County

Carlton, Minnesota

Context: Due to the limited number of office personnel within the County, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Carlton County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the ability of the County employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

Cause: The County has indicated it does not have the economic resources needed to hire additional qualified accounting staff to segregate duties in every department.

Recommendation: We recommend the County's Board of Commissioners and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented to the extent possible.

View of Responsible Official: Concur

2024-003 Capital Assets

Prior Year Finding Number: 2023-003

Year of Finding Origination: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: GASB Statement 34 requires governments to include capital assets on the Statement of Net Position and to report depreciation expense for those assets on the Statement of Activities. In addition, capital outlay expenditures in a governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are eliminated in the Statement of Activities. Generally accepted accounting principles also require capital assets to be valued at historical cost or, if historical cost data are not available, estimated cost.

Condition: The County does not maintain capital asset records which show cost or estimated historical cost, and it has not properly reported capital assets in its government-wide financial statements.

Context: To comply with GASB Statement 34, the County must establish accounting policies for capital assets, including capitalization thresholds, useful lives, and the designation of specific general ledger accounting codes to record the purchases and construction costs of capital assets. Capital assets, as defined by GASB Statement 34, include: land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets used in operations and that have initial useful lives extending beyond a reporting period. The County must establish a capital asset accounting system capable of providing the information needed to comply with the reporting requirements of GASB Statement 34. Information needed for reporting includes capital assets by major asset category, capital outlay expenditures by department and major expenditure function, and depreciation expense by department and major expenditure function.

Carlton County implemented GASB Statements 87 and 96, which established criteria for accounting and financial reporting for leases and subscription-based information technology arrangements, respectively, including right-to-use assets and related amortization expense associated with its leases and subscription-based information technology arrangements.

Carlton County

Carlton, Minnesota

In addition, the County has identified the amount of infrastructure to capitalize for the year 2024. The County continues to review its documentation to identify the remaining amount of infrastructure to capitalize.

Effect: Carlton County has not complied with the requirements of GASB Statement 34; an adverse opinion will continue to be issued on the government-wide financial statements.

Cause: Carlton County has not developed a comprehensive capital asset policy, nor accumulated and recorded its capital assets in accordance with generally accepted accounting principles.

Recommendation: In order to improve control over capital assets, prevent the adverse opinion in relation to capital assets, and comply with the requirements of GASB Statement 34, the County should establish a record-keeping system for capital assets. The County Board should take steps to establish formal policies and procedures for implementing and maintaining a capital asset system. Below is an outline for developing and maintaining a capital asset inventory system.

- Adopt a capitalization policy that sets a minimum dollar value for an asset to be accounted for on the capital asset system. Determine the useful lives for various classes of assets to be used for depreciation purposes and the general ledger account codes to be used to record capital asset transactions.
- Identify the information that will need to be captured by a capital asset accounting system and establish a system that will provide the information needed to comply with the reporting requirements of GASB Statement 34.
- Inventory all capital assets, including infrastructure assets, owned by the County, and assign responsibility for each asset to a particular department head or official.
- Assign actual or estimated historical cost to each item. Enter the information into the capital asset system.
- Maintain the capital asset accounting system on a current basis. Establish procedures on how disposals of capital assets will be identified by department heads and how the information will be transmitted to the person responsible for maintaining the capital asset system.
- Periodically verify departmental inventory by physical inspection.

View of Responsible Official: Concur

2024-004 Journal Entries

Prior Year Finding Number: 2023-004

Year of Finding Origination: 2006

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Carlton County limits access to the journal entry function on the Integrated Financial System (IFS) to select County employees. The ability to make journal entries on the IFS general ledger allows those with access to make changes to the general ledger system. To prevent abuse of this function, the County should limit it to those employees who have a logical need for this access. The County should establish a procedure for review and approval of the journal entries.

Carlton County

Carlton, Minnesota

Condition: In a sample of 20 journal entries tested, three did not have documentation of review or approval. These three journal entries were prepared by the Public Health and Human Services department.

Context: Carlton County seldom uses journal entries for making adjustments to the financial records. Adjustments are posted to the general ledger as negative receipts and disbursements where corrections are required. Journal entries are generally used only in unusual circumstances and financial closing procedures. In 2024, the County made 195 journal entries; 86 of these journal entries were made by the Public Health and Human Services department.

Effect: Without proper review and approval of journal entries, there is an increased risk that errors or irregularities may not be detected in a timely manner.

Cause: The County has not developed procedures for review and approval of journal entries.

Recommendation: We recommend the County ensure that all journal entries are reviewed and approved by appropriate County management. The County should generate a report from the IFS that lists all journal entries made to ensure all journal entries were submitted for review and approval.

View of Responsible Official: Concur

2024-005 **Audit Adjustment**

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was identified during the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: the Capital Projects Fund required an adjustment of \$10,000,000 to decrease due from other governments and deferred inflows of resources to remove the receivable related to the Justice Center project that was recorded prior to having an executed grant agreement which would obligate the funds to the County. The audit adjustment did not impact fund balance.

Cause: The County recorded the receivable based on the appropriation from the State Legislature prior to having an executed grant agreement which is required to meet the eligibility criteria for the grant.

Carlton County

Carlton, Minnesota

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to ensure the County's financial statements are complete, accurate, and fairly presented in accordance with generally accepted accounting principles in the United States of America.

View of Responsible Official: Acknowledge

2024-006 Credit Card Procedures

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Counties have the authority to make purchases using credit cards, and the County has adopted a County Issued Credit Card Policy, including management and internal control procedures. The County Issued Credit Card Policy requires each employee who receives a credit card to sign a "Request and Agreement Form" agreeing to the conditions of use and acknowledging receipt of the credit card policy and procedure.

Condition: In addition to County purchasing cards, the County also makes electronic purchases through two retail store cards. In the sample of four employees who made electronic purchases in 2024, three did not have a signed "Request and Agreement Form" on file. All three purchases were made using one of the two retail store cards.

Context: During 2024, the County made \$362,082 in purchases using credit cards; \$55,212 of those purchases were made using retailer store cards.

Effect: Failure to ensure employees using credit cards have reviewed the County's credit card policies and procedures increases the likelihood for misuse of credit cards.

Cause: The County Issued Credit Card Policy did not specifically note that it addressed retail store cards in addition to County purchasing cards.

Recommendation: We recommend the County clarify in its County Issued Credit Card Policy that it includes all credit cards used by its employees to ensure proper use of County funds.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Auditor/Treasurer

Carlton County Historic Courthouse, 301 Walnut Ave, PO Box 130, Carlton, MN 55718 Phone: 218.384.9127

Kevin DeVriendt Auditor/Treasurer **Kelly Lampel** Chief Financial Officer **Angela Lind** Chief Deputy Auditor/Treasurer

Representation of Carlton County Carlton, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2024

Finding Number: 2024-001

Finding Title: Computer Risk Management

Name of Contact Person Responsible for Corrective Action:

Jesse Wheeler – Information Technology Director in conjunction with Kevin DeVriendt – Auditor-Treasurer

Corrective Action Planned:

The County Board, in conjunction with IT staff, will work to develop a plan to ensure internal controls are in place so as to reduce the risk associated with the County computer systems. A 'draft' of the plan is being prepared for review and approval by the Carlton County Policy Committee; the plan has not yet been formally accepted by the County Board. The County Internet and Network Policy was merged into the Personnel Policy for further clarification for employees. The County IT Department and County Auditor's Office met, discussed, and reviewed risks to the Carlton County Financial Systems. Many internal controls have already been put in place to protect the financial systems.

Anticipated Completion Date:

June 30, 2026

Finding Number: 2024-002

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer

Corrective Action Planned:

The Carlton County Board of Commissioners is aware of the existing conditions with regard to the segregation of duties. To date, County management has implemented additional control procedures including adding monitors in specific departments, and having Auditor-Treasurer personnel perform periodic spontaneous cash counts. The Board and management do and will continue to review the duties and responsibilities of County staff and to make appropriate changes where necessary and feasible.

Anticipated Completion Date:

December 31, 2025 and ongoing

Finding Number: 2024-003

Finding Title: Capital Assets

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer

Corrective Action Planned:

The County is working toward implementing a record-keeping system to track and report capital assets in accordance with GASB Statement No. 34. A capital asset policy is in the process of being drafted and approved. The County has begun work on compiling data on its capital assets, including infrastructure. This is expected to take some time to capture and inventory all capital assets from prior years. It is anticipated that the policy and a recordkeeping system will be established over the next year.

Anticipated Completion Date:

December 31, 2026

Finding Number: 2024-004

Finding Title: Journal Entries

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – County Auditor-Treasurer

Corrective Action Planned:

The County Auditor-Treasurer staff will review the access to journal entry functions so as to determine the need for access by selected employees. It is further the intent of the Auditor/Treasurer's Office to establish review and approval procedures for all journal entries. To date, a formal review and approval process policy has not been formally established and approved. The plan is to have the Fiscal Supervisor and the Fiscal Officer review each other's journal entries.

Anticipated Completion Date:

December 31, 2025

Finding Number: 2024-005

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – Auditor-Treasurer

Corrective Action Planned:

The County will not report deferred revenue or receivables based on appropriations from the State Legislature for larger grants or Minnesota bonding dollars until a grant agreement is in place with the State entity the Minnesota Legislature has authorized to disburse the funds awarded during the legislative session. The 2023 Minnesota Law Chapter 72 Capital Improvement Appropriations Section 8 granted \$10 million specifically for Carlton County for the Justice Center, but the process is taking longer than anticipated to obtain an executed grant agreement and receive the funds.

Anticipated Completion Date:

December 31, 2025 and ongoing

Finding Number: 2024-006

Finding Title: Credit Card Procedures

Name of Contact Person Responsible for Corrective Action:

Kevin DeVriendt – Auditor-Treasurer

Corrective Action Planned:

The County will work on revising its County Credit Card Policy and Procedures to make it more clear that the policy includes all types of credit cards. Obtain signatures from all County staff using direct retailer store credit cards that are not assigned to one person but rather for sign-out or pooled use. The signed agreements will acknowledge their acceptance of the County Credit Card Policy and Procedures for use of the credit cards.

Anticipated Completion Date:

June 30, 2026



Auditor/Treasurer

Carlton County Historic Courthouse, 301 Walnut Ave, PO Box 130, Carlton, MN 55718 Phone: 218.384.9127

Kevin DeVriendt Auditor/Treasurer **Kelly Lampel** Chief Financial Officer **Angela Lind** Chief Deputy Auditor/Treasurer

Representation of Carlton County Carlton County, Minnesota

Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2024

Finding Number: 2023-001

Year of Finding Origination: 2006

Finding Title: Computer Risk Management

Summary of Condition: The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

Summary of Corrective Action Previously Reported: The County Board, in conjunction with IT staff, will work to develop a plan to ensure internal controls are in place so as to reduce the risk associated with the County computer systems. A 'draft' of the plan is being prepared for review and approval by the Carlton County Policy Committee; the plan has not yet been formally accepted by the County Board. The County Internet and Network Policy were merged into the Personnel Policy for further clarification for employees. The County IT Department and County Auditor's Office met, discussed, and reviewed risks of access to the Carlton County Financial Systems. Many internal controls have already been put in place to protect the financial systems.

Status: Partially Corrected. Finalize and adopt the Information Security Risk Management Policy and Procedure. Target completion date is December 2026 with policy drafting currently in progress. Quarterly risk review meetings and annual reassessment schedule led by the IT Director with support from the IT Manager and the IT Committee have been implemented.

Corrective action taken was significantly different than the action previously reported.

A third-party company was contracted to assist in the process. Complete the initial third-party risk assessment and present results, risk findings, and roadmap to the IT Committee. Target date of completion is June 2026.

Finding Number: 2023-002

Year of Finding Origination: 1996

Finding Title: Segregation of Duties

Summary of Condition: Several of Carlton County's departments that collect fees lack proper segregation of the accounting functions necessary to ensure adequate internal accounting control. Generally, one staff person is responsible for billing; collecting, depositing, and recording receipts; and reconciling the bank accounts.

Summary of Corrective Action Previously Reported: The Carlton County Board of Commissioners is aware of the existing conditions regarding the segregation of duties. To date, County management has implemented additional control procedures including adding monitors in specific departments and having Auditor-Treasurer personnel perform periodic spontaneous cash counts. The Board and management do and will continue to review the duties and responsibilities of County Staff and to make appropriate changes where necessary and feasible.

Status: Partially Corrected. Management has implemented compensating controls and additional oversight in some areas and continues to monitor all areas. The Board and management do and will continue to review the duties and responsibilities of County staff and make appropriate changes where necessary and feasible.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-003

Year of Finding Origination: 1996

Finding Title: Capital Assets

Summary of Condition: The County does not maintain capital asset records which show cost or estimated historical cost, and it has not properly reported capital assets in its government-wide financial statements.

Summary of Corrective Action Previously Reported: The County is working toward implementing a record-keeping system to track and report capital assets in accordance with GASB Statement No. 34. A capital asset policy is in the process of being drafted and approved. The County has done limited research to assist in the determination of their capital asset valuation and, if necessary, will contract with a vendor to assist in the recording of the County's capital assets and their valuations.

Status: Not Corrected. Capital asset records are still not completed and reported. The County continues to accumulate information and formulate a process for a capital asset management system to record and maintain accurate records of the County's capital assets.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-004

Year of Finding Origination: 2006

Finding Title: Journal Entries

Summary of Condition: In a sample of 22 journal entries tested, ten did not have documentation of review of approval.

Summary of Corrective Action Previously Reported: The County Auditor-Treasurer staff will review the access to journal entry functions to determine the need for access by selected employees. It is further the intent of the Auditor/Treasurer's Office to establish review and approval procedures for all journal entries. To date, a formal review and approval process policy has not been formally established and approved. The plan is to have the Fiscal Supervisor and the Fiscal Officer review each other's Journal Entries.

Status: Partially Corrected. Public Health and Human Services Fiscal Supervisor has implemented Fiscal Officers reviewing some journal entries, but did not implement a process for reviewing all journal entries.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-005

Year of Finding Origination: 2023

Finding Title: Identification of Federal Awards

Summary of Condition: During 2023, Carlton County received \$193,428 in grant reimbursements of the Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs federal award program (Assistance Listing Number 20.106) for expenditures incurred in 2020. These expenditures were not included in the population of expenditures provided for the audit, nor were they reported on the County's SEFA for the year ended December 31, 2020.

Summary of Corrective Action Previously Reported: County Transportation Department will tie out year-end encumbrances with Federal Aviation Administration (FAA) and Minnesota Department of Transportation (MnDOT) Aeronautics grant balance reports.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-006

Year of Finding Origination: 2023

Finding Title: Eligibility

Program: 93.778 Medical Assistance Program

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by Carlton County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation to support participant eligibility was available, updated, or input correctly into MAXIS. In the sample of 40 case files tested, three case files had assets listed in MAXIS that did not match the documentation in the case file.

Summary of Corrective Action Previously Reported: This topic will be a standing agenda item on the Public Health and Human Services Income Maintenance unit meeting agendas, being reviewed at least monthly to ensure compliance. Supervisor Hart will review five Medical Assistance (MA) applications or renewals per month, to ensure MAXIS has been updated with the correct asset and income eligibility information.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-007

Year of Finding Origination: 2022

Finding Title: Publishing Claims Over \$2,000

Summary of Condition: In a sample of three publications of County Board minutes tested, itemized listings of claims paid over \$2,000 were not included.

Summary of Corrective Action Previously Reported: Publish claims over \$2,000 within the 30 days exclusive of the public aid assistance and foster care payments for Public Health and Human Services starting with January 2024 claims.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2023-008

Year of Finding Origination: 2020

Finding Title: Publication of Board Minutes

Summary of Condition: Of the 26 publications of County Board minutes from 2023, three were not published in the County's official newspaper within the 30-day requirement.

Summary of Corrective Action Previously Reported: The County Auditor-Treasurer staff will adjust their procedures to help streamline the process of getting the board minutes prepared, approved, and submitted to the newspaper to be published within the timelines set under Minnesota Statutes. The timing of the weekly newspaper publication deadlines and the two-week gap between meetings in some months will always create some publications being longer than 30 days. The draft minutes are posted on the County website within approximately two weeks of the meeting to inform the public.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

**Carlton County
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Assistance Listing Number | Pass-Through Grant Numbers | Expenditures |
|--|------------------------------|------------------------------|----------------------------|
| U.S. Department of Agriculture | | | |
| Passed Through Carlton, Cook, Lake, and Saint Louis Community Health Board | | | |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 222MN004W1003 | \$ 176,377 |
| Passed Through Minnesota Department of Human Services | | | |
| SNAP Cluster | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 242MN101S2514 | <u>665,371</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 841,748</u> |
| U.S. Department of Justice | | | |
| Direct | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | | \$ 55,915 |
| Passed Through Minnesota Department of Public Safety | | | |
| Crime Victim Assistance | 16.575 | A-CVS-2024-CARLTNAO-093 | 72,888 |
| Passed Through Minnesota Department of Health | | | |
| Children of Incarcerated Parents | 16.831 | 243886 | <u>36,877</u> |
| Total U.S. Department of Justice | | | <u>\$ 165,680</u> |
| U.S. Department of Transportation | | | |
| Direct | | | |
| Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs | 20.106 | | \$ 315,826 |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | 1052129 | 3,178,061 |
| Passed Through Minnesota Department of Public Safety | | | |
| Highway Safety Cluster | | | |
| State and Community Highway Safety | 20.600 | A-OFFICR24-2024-CARLTNSD-020 | 32,669 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | A-OFFICR24-2024-CARLTNSD-020 | <u>70,520</u> |
| Total U.S. Department of Transportation | | | <u>\$ 3,597,076</u> |
| U.S. Department of Education | | | |
| Passed Through Carlton, Cook, Lake, and Saint Louis Community Health Board | | | |
| Special Education – Grants for Infants and Families | 84.181 | B04MC32551 | <u>979</u> |

**Carlton County
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

(Continued)

| Federal Grantor Pass-Through Agency Program or Cluster Title | Assistance Listing Number | Pass-Through Grant Numbers | Expenditures |
|--|------------------------------|----------------------------|----------------------------|
| U.S. Department of Health and Human Services | | | |
| Passed Through Carlton, Cook, Lake, and Saint Louis Community Health Board | | | |
| Public Health Emergency Preparedness | 93.069 | NU90TP922026 | \$ 24,223 |
| COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | NU50CK000508 | 25,116 |
| COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354 | NU90TP922188 | 8,401 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$490,485) | 93.558 | 2501MN TANF | 70,255 |
| Medicaid Cluster | | | |
| Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,232,941) | 93.778 | 2405MN5ADM | 24,000 |
| Maternal, Infant, and Early Childhood Home Visiting Grant | 93.870 | X1043589 | 146,534 |
| Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | 93.967 | NE11OE000048 | 8,352 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | B04MC32551 | 38,000 |
| Passed Through Minnesota Department of Health | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | H79FG001157 | 53,500 |
| Passed Through Minnesota Department of Human Services | | | |
| Marylee Allen Promoting Safe and Stable Families Program | 93.556 | 2301MNF PSS | 11,642 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$490,485) | 93.558 | 2401MN TANF | 420,230 |
| Child Support Services | 93.563 | 2301MNCSES | 1,001,536 |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.566 | 2401MNR CMA | 4,933 |
| CCDF Cluster | | | |
| Child Care and Development Block Grant | 93.575 | 2401MNC CDF | 14,526 |
| Community-Based Child Abuse Prevention Grants | 93.590 | 2302MNBCAP | 19,952 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 2301MNCWSS | 4,980 |
| Foster Care Title IV-E | 93.658 | 2401MNFOST | 259,649 |
| Social Services Block Grant | 93.667 | 2401MNSOSR | 278,543 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 2301MNCILP | 1,561 |
| Children's Health Insurance Program | 93.767 | 2305MNS021 | 1,170 |
| Medicaid Cluster | | | |
| Medical Assistance Program | 93.778 | 2405MNSMAP | 9,871 |
| Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,232,941) | 93.778 | 2405MNSADM | <u>2,199,070</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$ 4,626,044</u> |

**Carlton County
Carlton, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

(Continued)

| Federal Grantor Pass-Through Agency Program or Cluster Title | Assistance Listing Number | Pass-Through Grant Numbers | Expenditures |
|---|------------------------------|----------------------------|----------------------------|
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Natural Resources | | | |
| Boating Safety Financial Assistance | 97.012 | 3319FAS190127 | \$ 4,000 |
| Passed Through Minnesota Department of Public Safety | | | |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4722 | 110,874 |
| Emergency Management Performance Grants | 97.042 | A-EMPG-2023-CARLTNCO-011 | 96,630 |
| Homeland Security Grant Program | 97.067 | F-SHSP-2023-HSEM2CC | 111,000 |
| Homeland Security Grant Program | 97.067 | F-OPSG-2021-CARLTNCO | <u>94,235</u> |
| (Total Homeland Security Grant Program 97.067 \$205,235) | | | |
| Total U.S. Department of Homeland Security | | | <u>\$ 416,739</u> |
| Total Federal Awards | | | <u>\$ 9,648,266</u> |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2024.

Totals by Cluster

| | |
|---|------------|
| Total expenditures for SNAP Cluster | \$ 665,371 |
| Total expenditures for Highway Safety Cluster | 32,669 |
| Total expenditures for CCDF Cluster | 14,526 |
| Total expenditures for Medicaid Cluster | 2,232,941 |

Carlton County Carlton, Minnesota

Notes to the Schedule of Expenditures of Federal Awards

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Carlton County. The County’s reporting entity is defined in Note 1 to the financial statements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Carlton County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Carlton County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carlton County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

Carlton County has elected to not use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

| Reconciling Items | Amount |
|---|--------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 9,816,122 |
| Grants received more than 90 days after year-end, considered unavailable revenue in 2024 | |
| Highway Planning and Construction (Assistance Listing Number 20.205) | 37,733 |
| Unavailable revenue in 2023, recognized as revenue in 2024 | |
| Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (Assistance Listing Number 20.106) | (78,867) |
| Highway Planning and Construction (Assistance Listing Number 20.205) | (16,882) |
| Temporary Assistance for Needy Families (Assistance Listing Number 93.558) | (109,840) |
| Expenditures per Schedule of Expenditures of Federal Awards | \$ 9,648,266 |